

U. S. Department of Energy



Thomas Jefferson National Accelerator Facility

500 Accounting

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- A. The Jefferson Lab Financial Management System is a key component of the Earned Value Management System. The purpose of the accounting system is to collect the actual costs incurred by a project, which when compared with Earned Value data, can provide project management with the status of a project's budget. Labor (in-house and contracted) and purchased material/equipment represent the bulk of a project's expenses. Accurate accounting for both expense categories is essential to gaining a true understanding of how a project is performing with regards to the Performance Measurement Baseline.
- B. There are five paths for project costs to enter the accounting system:
 - 1. Labor (payroll) via time sheets.
 - 2. Accounts payable via purchase order (PO) voucher.
 - 3. Travel via expense report.
 - 4. Accounts Payable via A/P voucher.
 - 5. Journal Entry.
- C. All costs are assigned a Project-Organization-Account (POA) number which provides identification to the proper cost account.

501 Cost Collection and Control**501.1 Labor**

- A. The accounting system source data for payroll entries is the Time Sheet for each individual. These time sheets are filled out twice each month by the individual employee. Time sheets must be signed electronically by the individual employee attesting to the time worked or by a supervisor or division coordinator in their absence. The time sheets are then electronically counter-signed by an individual authorized to approve labor charges. In some cases an additional project signoff is required based on project requirements.
- B. Completed time sheets are received electronically in the Payroll Department. Costs are not entered into the payroll system directly. They are first captured in the timesheet module which allocates the cost to the cost accounts. Because Jefferson Laboratory is on a semi-monthly payroll system, the number of hours a person works in a pay period will vary.

- C. Each month, the Project Status Report (Exhibit 12) provides a breakout of labor costs for each POA. This report is available on the Jefferson Lab MIS web portal to Cost Account Managers, Associate Project Managers, and the Project Director/Manager for review and verification.

501.2 Accounts Payable via Purchase Order Voucher

A. Processing of Purchase Requisitions

A Purchase Requisition (PR) is required for the acquisition of all Jefferson Lab goods and services except items purchased via a JLab P-Card or non-PO related items such as utilities, subscriptions, etc. The PR is generated online via the Lab's REQS system by the requesting project office and must include a description of the goods/services required, the appropriate Project/Organization/Account (POA) number, and a cost estimate. The PR is routed electronically for signature approval based on the value of the request (PRs > or = \$25K (> or = \$50k after 10/1/05) are routed manually for all signatures and Chief Financial Office approval).

B. Procurement Objectives and Constraints

In processing PRs and placing Purchase Orders (PO) with vendors, the Procurement and Services Department (PSSD) must provide timely support to requisitioners in accordance with Jefferson Lab's Procurement Policies and Procedures, which are approved by the Department of Energy. Procurement guidance is available on the Lab's website to assist requisitioners in processing their requirements.

C. Processing of Purchase Orders

1. When the PSSD reaches agreement with a vendor to provide the goods or services requested, a formal Purchase Order (or subcontract) is awarded/generated or the purchase is made on a credit card. At this time, the requisition becomes a PO (or subcontract) and is entered into the laboratory's Financial Management System. Status of the PO is available through the Lab's REQS system.
2. The accounting system tracks these commitments by the POA number, and reports the commitment information until the goods or services are received. A commitment can be reviewed in the month-end Outstanding Commitment Detail report, which is summarized by POA number. The total commitment for a POA can be viewed in the Job Status Report in the column labeled 'Commitments'. For multi-year procurements, only the dollar amount actually obligated to the vendor in the approved phase of the contract is included in the commitment listings. (For example, a

phased contract with a total value of \$10,000,000 might only reflect a current-year commitment of \$300,000. According to a schedule stated in the contract, the remainder will become a commitment shortly after the beginning of each new fiscal year upon written notice to the vendor via a contract modification.)

3. When goods are received by Jefferson Laboratory, they are entered into the system by Shipping and Receiving, and both a receiving report and the goods are forwarded to the requisitioner for acceptance. At this time, the goods are classified as "received but not booked," but are still recognized as commitments in the laboratory reporting mechanism. At month end, commitments that have been received but not yet invoiced are accrued as costs and are not reported as commitments. This entry is reversed immediately in the next period and received items are recognized as open commitments.
4. When an invoice is received and approved for payment, it is entered into the financial system. Once there is a line-by-line match between the Purchase Order, the receiving report (services don't have a receiving report), and the invoice, the invoiced amount is removed from the commitment list and added to the Other Direct Cost (ODC) detail report. It also moves on the Project Status Report from the commitment column (a net decrease) to the current, year-to-date and cumulative cost columns of the Project Status Report (a net increase). These amounts are used by the Office of Project Management at the end of the accounting period as part of the Earned Value reporting.
5. Actual payment of the invoice is not important in the tracking by a Cost Account Manager (CAM). It is a financial function and depends on the terms and conditions of the Purchase Order.
6. For large service contracts, the process described above may result in understated actual costs if the vendor/subcontractor delays the submittal of an invoice or if the submittal falls just after the normal close of the accounting period. For selected contracts, where the average expected invoice for the contract exceeds a threshold selected by the Project Director/Manager (currently \$100,000 per month), special procedures are used to accrue costs ahead of the invoice.
7. For large contracts with progress payments, the CAM provides signed documentation to Finance identifying costs to be reflected, as an accrual, in the actual expense reports for the month. This entry also removes these anticipated costs from the commitments total. The amounts are consistent with the completion of the contract reported by the contractor and confirmed by the Contracting Officer's Technical Representative (COTR).

The difference between the accrual and the actual expense is recognized when the invoice is received and approved for payment.

8. For large contracts with payments based on actual receipts of material, Finance accrues costs based on the receiving report entered into Financial Management System. Again this entry removes these anticipated costs from the commitments total, and the difference between the accrual and the actual expense is adjusted when the invoice is received and approved for payment.
9. Each month, the Project Status Report lists material and service expenses and commitments by POA.

501.3 Travel

- A. Travel is initiated by a Travel Authorization Request. This form includes a total estimate of the trip cost, the proper POA number, a list of any prepayments (e.g. for registration) needed, and the signature of a person authorized to approve travel on that POA, generally the traveler's supervisor. Travel arrangements are coordinated through the JLab travel agent by travel coordinators in the divisions. The Travel Authorization Request is sent to Travel Services.
- B. After completion of the trip, a Travel Expense Voucher is prepared and signed by the traveler. If actual expenses exceed the estimate on the Travel Authorization Request by 25% or more, a signature is required by a person authorized to approve the POA charges. Original receipts over \$50 are required before payment. The completed forms are sent to Travel Services and may be selected for further audit. The traveler's expenses are then reimbursed based on the Administrative Manual - Travel Section. The cost data are recorded in the accounting system assigned to the specific POA appearing on the approved Travel Expense Report.

501.4 Accounts Payable via A/P Vouchers

A/P Vouchers are used to pay for non-purchase order expenses (e.g., utilities, honorariums, petty cash reimbursements, JRT registration, subscriptions, etc.) Since there is no PO or system entered receiving, these vouchers require approval by appropriate division personnel prior to data entry. Project cost is identified at time of voucher distribution posting.

501.5 Journal Entry

A Journal Entry is used to accrue various types of costs. Examples are materials received not yet vouched, credit card purchases, estimated travel expenditures,

stockroom withdrawals, etc. Journal entries are also used for adjusting / correcting the classification of costs to the proper POA.

501.6 Cost Reporting

- A. The projects module of the accounting system is used for cost reporting. The Project/Organization/Account numbering convention, shown below, makes reporting labor and material costs easy for tracking. The costs are reported by project and/or organization and account combination.

Project Code: XXXXXX . XXXXXXXXXXXX . XXX . XXX

Organization Code: X . XX . XXX . XXXX

General Ledger
Account Code: XXXX - XXX

1. The project codes are made of 4 levels. Level 1 is the top level summary and consists of six alphanumeric characters and is used to roll-up projects. Level 2 consists of 10 alphanumeric characters and is used as a second level roll-up. Level 3 consists of 3 alphanumeric characters and can be used as a roll-up of detail projects. Level 4 consists of three alphanumeric characters and is used as a detail project identifier.

Example (for 12 GeV WBS 1.1.2.1):

12GEV1 . KB01021RD1 . 112 . 100

Level 1 - overall project number

Level 2 - funding source provided by Project Customer and computer supplied during data entry

Level 3 - first three WBS levels (ex. 112 is the 12GeV R&D for Hall A)

Level 4 - next three WBS levels - in this case, only WBS level 4 is defined, so the last two digits are zeros

2. The organization code consists of 4 levels. Each level rolls-up to the level above it. Level 1 is intended to roll-up to the Lab level. Level 2 is used to indicate the division. Level 3 identifies the department within the division. Level 4 is used as the detail organization code.
3. The general ledger account code identifies direct or indirect costs and the specific type of expense as related to the Chart of Accounts.

- B. The projects module in the Project Management System and the Project Status Report permit Finance and Project Management to track costs for the life of the project.

501.7 Inventories

Jefferson Lab maintains a stock supply inventory. Monthly distribution of these costs is based on actual withdrawals and charged to the using POA.

501.8 Machine Shop Service Center Costs

The Machine Shop Service Center performs in-house machining services (jobs) at Jefferson Lab for various Projects/Organizations as requested. The in-house machining costs include salaries, fringe benefits, statutory payroll expenses, and other direct costs associated with operating the machine shop. These costs are allocated based on the actual number of machine shop labor hours used for each job. A target hourly rate is developed, monitored, and charged throughout the year. At year end, the target rate is replaced with the actual rate which is applied retroactive to all jobs for the fiscal year.

501.9 Indirect Costs

- A. The Chief Financial Office is responsible for managing all indirect costs (fringe benefits and General & Administrative expenses) at Jefferson Lab. Fringe benefits are made up of two Fringe pools, Fringe and Statutory Fringe. The Fringe pool is comprised of non-productive labor (e.g., vacation and sick leave), health premiums, retirement, and life insurance premiums. The Statutory Fringe pool is comprised of those items required by law: social security tax, workers compensation and unemployment. These estimated costs are shown separately from labor charges on the monthly Project Status Report. Target fringe rates are calculated at the beginning of the fiscal year and monitored monthly. If there is a major deviation from the target, the rate is changed in the accounting system and retroactively adjusted back to the beginning of the fiscal year. At the end of the fiscal year, the target rate is changed to equal the actual rate in order to reflect the year-to-date adjustment in the current month. The productive labor of employees entitled to benefits is burdened with both fringe pools.
- B. General & Administrative (G&A) indirect costs are those costs which cannot be identified to a specific program or work task. They are initially charged to an intermediary cost objective and then allocated across the Jefferson Lab. G&A costs include salaries, fringe benefits and supporting costs of administrative, management, and technical staff having Laboratory-wide oversight and support responsibilities. This pool also includes telephone, site plant maintenance, utilities (excluding electricity for the accelerator) and other

costs that support the Lab's infrastructure. These costs are allocated over all direct costs, including previous allocation of the fringe benefit pool and statutory payroll expense pool, but excluding the portion of a single direct procurement or modification greater than \$50K. At year end, the total target rate for the year is replaced with an actual rate that is applied to all cost accounts in proportion of direct costs for the year excluding the portion of a single direct procurement or modification > \$50K.

501.10 Interface of Accounting System and Project Control System

Each month, the Office of Project Management downloads actual cost data and commitments by POA from the Financial Management System. This file is then imported into the Cost Management System. Data from the Schedule Management System is then uploaded into Cost Management System to measure the actual costs against the schedule and planned costs to provide Cost and Performance Reports.

501.11 Correction of Mischarges

Cost Account Managers identify incorrect charges and submit corrections, to Finance, for appropriate action.

501.12 Closing of Cost Accounts

The Office of Project Management identifies Cost Accounts for which work has been completed (i.e., cumulative BCWP equals BAC) or for which there is no work scheduled during the year. They then meet with affected Cost Account Managers and determine if the Cost Accounts should be closed. OPM takes appropriate action when deemed necessary.

502 Material Accounting System

- A. The Material Accounting System provides full accountability of all material procurements as well as for project subcontract effort. Material items purchased for Jefferson Lab projects are managed in accordance with the Jefferson Lab Property Management Manual to ensure that all property is properly acquired, inventoried, utilized and disposed. The Jefferson Lab Procurement Policies and Procedures Manual describes how subcontract requisition is administered. Cost accumulation for these two procurement elements and assignment to the appropriate Cost Accounts are handled by the Lab's Financial Management System.
- B. This accounting system also provides for effective performance measurement of material acquisition and subcontract effort. Planned purchases of material

items and subcontract work are listed as activities in a project's Control Account Plans. Projected procurement dates are assigned to these activities, thus integrating material/subcontract acquisition into the project's time-phased budget. Earned value for materials is normally credited when the item arrives at the Jefferson Lab Shipping and Receiving Office and is accepted by the Cost Account Manager. Earned value for subcontract effort is recognized when the work has been completed. As with direct labor, actual costs for material items and subcontract work are charged to the appropriate Cost Account by use of the Project-Organization-Account number. Actual costs for material/subcontract effort should be reported in the same accounting period that earned value is taken. This practice prevents distortions in the performance measurement data that would reflect incorrect progress status. In situations where earned value is claimed but the invoice has not been paid, estimated actual cost may be incorporated into the actual cost database from purchase order information.

503 Exhibits

12. Project Status Report



Exhibit 12. Project Status Report


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Status Report

For Fiscal Year 2005 Period 1

PROJ: SNS840
 PROJ ID: SNSXXX.8202010000.408.400
 PROJ NAME: ES&H & QA/QC Support
 PROJ MANAGER:

	CURRENT PERIOD INCURRED	TOTAL YTD INCURRED	OPEN PO COMMITTS	PENDING (Credit Cards, PR, Stock, Travel)*	FY05 SPENDING	TOTAL BUDGET (-% OF DIRECT BUDGET SPENT)	REMAINING BUDGET	TOTAL CTD INCURRED
LABOR								
Direct Labor	0	0	0	0	0	0	0	0
Statutory Fringe(0.000%)	0	0	0	0	0	0	0	0
Fringe Benefits(0.000%)	0	0	0	0	0	0	0	0
TOTAL LABOR	0	0	0	0	0	0	0	0
EXPENSES								
Supplies & Materials(6043)	0	0	0	0	0	0	0	0
TOTAL EXPENSES	0	0	0	0	0	0	0	0
TOTAL DIRECT	0	0	0	0	0	0	0	0
OVERHEAD								
G&A(30.000%)	0	0	0	0	0	0	0	0
TOTAL WITH OVERHEAD	0	0	0	0	0	0	0	0